



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 03-Apr-2020 | Report No: PIDISDSA28810



BASIC INFORMATION

A. Basic Project Data

Country Georgia	Project ID P169082	Project Name Additional Financing for the Second Regional Municipal and Infrastructure Development Project	Parent Project ID (if any) P147521
Parent Project Name Second Regional and Municipal Infrastructure Development Project	Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 06-Apr-2020	Estimated Board Date 28-May-2020
Practice Area (Lead) Urban, Resilience and Land	Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Georgia Municipal Development Fund

Proposed Development Objective(s) Parent

To improve the efficiency and reliability of targeted municipal services and infrastructure.

Components

Infrastructure Investments
Institutional Development
Contingent Emergency Response Component

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	40.60
Total Financing	40.60
of which IBRD/IDA	40.60
Financing Gap	0.00

DETAILS

World Bank Group Financing



International Bank for Reconstruction and Development (IBRD)

40.60

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

- 1. Georgia became an upper-middle income country in 2015.** Between 2009 and 2018, the Georgian economy grew at an average annual rate of 4.0 percent. Over this period, growth was driven by consumption and high rates of investment, with mostly negative contributions from net exports. After the economic downturn of 2008–09, fiscal stimulus and a pickup in external demand helped growth rebound to 5.8 percent annually during 2010–13. Georgia’s growth then decelerated, however, to 2.8 percent in 2016 - its weakest performance since the 2008-09 global financial crisis - when total exports fell by 4 percent (after falling by 23 percent in 2015). Since 2017, the growth rate rebounded to 5.0 percent, driven by strong exports underpinned by regional recovery and coupled with fiscal reforms.
- 2. Economic growth in the last decade was accompanied by a significant poverty reduction.** According to the national absolute poverty line, the poverty rate declined from 34.3 percent to 20.1 percent between 2004 and 2018. In 2018, preliminary estimates indicate that 4.5 percent of the population faces extreme poverty, as measured by the US\$1.9 purchasing power parities 2011 international poverty line, and 15.7 percent of the population lives under the US\$3.2 poverty line (19.1 percent for rural areas and 13.7 percent for urban areas). The expansion of economic opportunities and social programs helped lift Georgians out of poverty and improve the overall well-being of the population. Poverty reduction has been driven by increased labor market opportunities. Pensions, social assistance, and incomes generated by small and medium enterprises (SMEs) have also been key drivers of poverty reductions.
- 3. Regional development remains the main driver for economic transformation and employment for the poorest.** In 2018, Georgia adopted the 2018-2020 Regional Development Program, which is a medium-term government document setting out main goals for regional development and determining priorities and measures for the period 2018-2021. The Program builds on the Social-Economic Development Strategy (Georgia 2020), the State Strategy for Regional Development 2010-2017 and the Regional Development Program 2015-2017. The Program’s strategic vision and delivery modalities are aligned with the European Union approaches to social-economic cohesion policy, including territorial integrated interventions and turning untapped regional and local opportunities.



Sectoral and Institutional Context

4. **Georgia continues to struggle with the provision of basic municipal services and infrastructure, especially at the regional level where access to the basic services is lower than in the capital city.** Increased regional disparities can be observed in the access to basic public services such as water supply systems (in some regions only 34% of households have access to clean tap water) and waste water treatment systems (considered to be poor or very poor). Almost all households are connected to the power grid, but the system requires modernization. Majority of the kindergartens, especially in the regions, require rehabilitation to meet the minimum standards for children’s education and provide safe learning environment for students and teachers. Connectivity to the markets and basic municipal services in the regional centers continue to pose challenge for rural communities and smaller urban settlements due to poor quality of the secondary and tertiary roads.
5. **The World Bank is supporting the Government’s efforts in addressing the regional development challenges through the Second Regional and Municipal Development Project (SRMIDP; P147521) and the proposed Additional Financing.** The original SRMID Project was approved by the World Bank Board of Executive Directors on July 3, 2014, in the amount of US\$30 million (IBRD loan 8380-GE) and became effective on December 16, 2014. The SRMIDP was designed to enable the Borrower to effectively address the outstanding needs at the regional and local level. It contributes to meeting the basic requirements for the provision of municipal services for the local communities, therefore promoting local economic development opportunities and accessibility to the markets and opportunities at the regional centers. An Additional Financing of US\$40 million is proposed to continue and scale up the activities of the original project making project financing available to more municipalities country-wide.

C. Proposed Development Objective(s)

Original PDO

6. To improve the efficiency and reliability of targeted municipal services and infrastructure.

Current PDO

7. To improve access to quality municipal services and infrastructure.

Key Results

8. Key results of the project as measured by its PDO indicators include: (i) people provided with improved urban living conditions; (ii) increased number of hours per day of piped water services in selected municipalities; (iii) increased share of local self-governments with improved asset management systems.

D. Project Description

9. The project proposes to three Components:
10. **Component 1: Infrastructure Investment, Project Management and Monitoring** (IBRD: US\$27.925 million; Municipal Development Fund (MDF): US\$12.93 million; Borrower: US\$9.25 million). This component finances infrastructure investments for the rehabilitation and expansion of priority municipal services, and provision of public infrastructure to ensure adequate provision of public services for the local communities and to attract private sector investments in the selected towns and



villages. It also finances technical preparation for subproject investment, monitoring and evaluation, and project management related activities. The component covers two sub-components:

11. **Sub-component 1.1: Infrastructure Investments** finances infrastructure investments including provision of works, goods and consultant's services to rehabilitate and expand priority municipal services, such as roads, flood protection, drainage, water and sanitation, wastewater treatment, street lighting, parks, municipal markets, kindergartens and community facilities. The subprojects aim at improving the reliability of municipal services, e.g., reliable water supply pressure and secured hours of service, and reliable roads with improved physical conditions that reduce trip time and vehicle operating costs, improve accessibility to markets and services available at the regional centers. The Project pays special attention to energy efficiency e.g., use of gravity-fed water supply or replacement of old pumps with energy efficient ones, replacement of street lighting bulbs with energy efficient bulbs, and improvement of heating efficiency in municipal buildings, especially kindergartens.
12. This subcomponent also finances *Public Private Initiative (PPI)*, which aims at improving public infrastructure to attract private investment in the targeted towns and villages, where private sector entities are willing to invest but require complementary public infrastructure to make their investments viable (e.g., public infrastructure within vicinity of the investments, road/sidewalk, water/sanitation, etc.). The PPI followed a set of screening and selection criteria, which is set out in the Project Operation Manual.
13. **Sub-component 1.2: Project Management and Monitoring & Evaluation**, finances the preparation of feasibility studies, engineering designs, construction supervision, operating cost, and monitoring and evaluation of Project outcomes, with a special attention to the gender dimensions, shared prosperity and job creation resulting from the Project.
14. **Component 2: Institutional Development** (IBRD: US\$2 million; Swiss Agency for Development and Cooperation (SDC): US\$5 million; Borrower: US\$1.75 million). This component supports all municipalities across the country with improving their institutional capacity and performance, including (1) improvement of asset planning and management to ensure efficiency and sustainability of investments; (2) enhanced management of the infrastructure project cycle (including identification, preparation, implementation, supervision and monitoring impact): and (3) strengthening of fiscal discipline and accounting. This component is being implemented with support of the non-reimbursable grant provided by Swiss Agency for Development and Cooperation (SDC) on the basis of a Co-financing Trust Fund Agreement between IBRD and SDC. The grant is being exclusively used for co-financing activities under Component 2.
15. **Component 3: Contingent Emergency Response Component (CERC)**. This zero-dollar component allows for rapid reallocation of Project funds from other Components to provide immediate response capacity to the Government following an eligible crisis or emergency in Georgia. The CERC has been recognized as a key instrument to ensure rapid response to disaster events and health crises, with an activation and disbursements possible within weeks of the occurrence of an eligible emergency.

The Rationale for Additional Financing and Restructuring

16. On March 20, 2020, the Bank received a request from the Borrower for AF in the amount of EUR 37.1 million (US\$ 40.6 million equivalent) to scale up activities under SRMIDP *Component 1: Infrastructure Investment, Project Management and Monitoring*. The Government recognizes and appreciates the



results achieved under the SRMIDP and would like to enable project implementing entity to scale up activities for the benefit of the targeted municipalities and, thus, increase the number of the Project beneficiaries that would have access to improved basic municipal services.

17. **The AF would allow the Project to scale up activities and meet the Borrower’s needs with addressing the outstanding development challenges for regional development. It also provides an opportunity to scale-up and expand the already achieved and successful PDO and intermediate level targets.** The AF funds will be used to: (i) finance additional activities to support selected municipalities with the provision of basic municipal services and infrastructure in urban and rural communities; (ii) further promote private capital mobilization in the selected towns and villages by allowing additional resources for the PPI initiative.

E. Implementation

Institutional and Implementation Arrangements

18. The Project is implemented by the Municipal Development Fund (MDF). Since 2012, MDF has implemented nine World Bank-financed projects (Regional Development Project, Second and Third Regional Development Projects, RMIDP and SRMIDP, and Sustainable Wastewater Management project). MDF is also an implementing agency for multiple projects financed by other IFIs and by the Government of Georgia in the sphere of municipal development and infrastructure. In this process, MDF has gathered substantial expertise in technical, fiduciary, and environmental and social safeguard management. MDF has a dedicated Environmental and Social Department as well as a newly-established Health and Safety Unit and a team of qualified safeguard staff.
19. MDF operates a viable grievance redress mechanism (GRM) for all projects. A GRM/Beneficiary Liaison Specialist has been designated within MDF’s environmental and social unit with management of the GRM. Each sub-project has a designated local GRM focal point. Contacts of the local focal points as well as of MDF’s GRM specialist are disseminated during ESMP consultations and made available in visible public locations and work sites. The MDF’s GRM specialist maintains a database of grievances received and their status and communicates with citizens submitting feedback to the GRM. To date, four grievances have been recorded on the SRMIDP. The majority of grievances are submitted verbally on site. The other two most popular channels are phone calls and letters. In 2019-2020, MDF participates in the World Bank’s global surge effort for strengthening of GRMs, within which MDF conducted analysis of the functionality of its GRM and prepared an Action Plan, endorsed by MDF management, to further improve its GRM system.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The AF under the SRMIDP will be implemented nationwide, with no geographic limitations.



G. Environmental and Social Safeguards Specialists on the Team

Darejan Kapanadze, Environmental Specialist
Sophia V. Georgieva, Social Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>SRMIDP AF will finance an infrastructure investment component and therefore triggers OP/BP 4.01 Environmental Assessment. Infrastructural improvements that are expected to be financed under the project include rehabilitation of existing roads, communications systems, water supply and wastewater collection systems, waste water treatment plans, municipal markets and other infrastructure required for improved municipal services. No large-scale new construction will be financed. The project will finance investments that fall under environmental Category B. Category A activities will not be eligible for financing from the project proceeds.</p> <p>Environmental and Social Management Framework (ESMF) currently used for the purposes of SRMIDP was updated to reflect changes related to the provision of the AF. The original ESMF was disclosed and stakeholder feedback solicited. Updated ESMF was disclosed again and re-opened for public comments. The ESMF provides an outline of procedures for environmental screening, approval, assessment, management planning, and monitoring of the individual interventions. It guides the MDF in the assessment of environmental risks related to the proposed investments and in defining the scope of the required environmental work. Environmental and Social Reviews (ESRs), including Environmental and Social Management Plans (ESMPs) or self-standing ESMPs are required for investment sub-projects. These site-specific safeguard instruments are subject to disclosure and consultation with</p>



		project-affected people and other stakeholders prior to tendering of works under individual sub-projects.
Performance Standards for Private Sector Activities OP/BP 4.03	No	N/A
Natural Habitats OP/BP 4.04	No	N/A
Forests OP/BP 4.36	No	N/A
Pest Management OP 4.09	No	N/A
Physical Cultural Resources OP/BP 4.11	Yes	SRMIDP AF will predominantly support the rehabilitation of existing infrastructure or small-scale construction supplemental to existing systems. It is unlikely that activities will impact on any known monuments of culture and history. The bulk of civil works will be undertaken within settlements or along existing rights of way between them. Hence the likelihood of chance finds during earthworks is low. Nonetheless, OP/BP 4.11 is triggered to provide guidance for managing such chance finds, should they emerge. A blueprint of action upon encountering of chance finds is provided in the ESMF and included in the Operations Manual (OM).
Indigenous Peoples OP/BP 4.10	No	N/A
Involuntary Resettlement OP/BP 4.12	Yes	OP/BP.4.12 on Involuntary Resettlement is triggered in response to the possibility of resettlement necessitated by civil works. A Resettlement Policy Framework (RPF) was prepared for SRMIDP and updated upon provision of the AF. It provides an outline of conditions under which potential land acquisition and/or livelihoods' loss and/or other social impact may occur. It also provides general principles to be applied to mitigate impacts on affected persons. If, during the preparatory phase of sub-projects, potential impacts as defined by the OP/BP 4.12 on Involuntary Resettlement are identified, then site-specific Resettlement Action Plans (RAPs) shall be developed. The responsibilities for sub-project screening mechanisms, the RPF and RAPs are clearly stated in the OM. The original RPF was disclosed and discussed with stakeholders. The updated RPF was disclosed again and re-opened for public feedback. RAPs, if required, will be subject to disclosure and consultation with the affected people following procedures established for the original SRMIDP.
Safety of Dams OP/BP 4.37	No	N/A



Projects on International Waterways OP/BP 7.50	Yes	The project may finance rehabilitation of water intakes, hydraulic structures, and municipal water supply networks, as well as waste water collection schemes and waste water treatment plants. In Georgia, most of the natural water bodies used for water abstraction and discharge are international waterways. OP/BP 7.50 was triggered for SRMIDP. However, rehabilitation of the selected elements of water supply infrastructure would not alter intake from the surface water bodies but would rather decrease loss of the abstracted water during its transportation and upgrading of wastewater collection and treatment schemes would contribute to the improvement of water quality in the recipient water bodies and would not alter cumulative water discharge. Based on the above, communication to the riparian states was not required and the exemption from the requirement for the communication to riparian was obtained from the Regional Vice President of the Bank. This exemption holds for the AF because it will continue to finance interventions into water supply and sanitation systems which are identical to those covered by the original SRMIDP.
Projects in Disputed Areas OP/BP 7.60	No	N/A

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The SRMIDP includes an investment component that finances existing roads, communications systems, water supply, and wastewater collection systems, wastewater treatment plans, municipal markets and other infrastructure required for improved municipal services in the selected settlements; thus it triggers the OP/BP 4.01 Environmental Assessment. Because the Project does not invest in new construction of buildings or in new systems of water supply, wastewater collection, and treatment outside the present footprint of the existing infrastructure, there are no risks commonly related to site selection and soil-breaking. However, rehabilitation of existing structures, which have been out of operation for extended periods of time, may require replacement and/or extension of certain elements of infrastructure. The management of sludge from waste-water treatment facilities would be a key issue to monitor subsequent to the construction/rehabilitation of such facilities as the country lacks a solid waste management system and infrastructure that would provide straightforward arrangements for sludge acceptance and disposal. Nevertheless, environmental risks of the construction and operation phases of the Project are fully manageable and none of them is expected to have significant, long term or irreversible impacts on the natural environment. Thus, the



Project is classified as environmental Category B. It will be retained upon provision of the Additional Financing (AF). The Project triggers OP/BP 4.12 Involuntary Resettlement as the location of investments is not known prior to Appraisal. Resettlement impacts are unlikely and if occur, are expected to be small or temporary. The ongoing SRMIDP has not caused resettlement impacts to date. The proposed AF will not support any new types of investments and will not increase the environmental and social risks of the Project. No additional safeguard policies are triggered upon provision of the AF.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: The expected long term environmental and social impacts of SRMIDP and its AF implementation are positive, because the rehabilitation of water supply and sanitation systems in the beneficiary settlements will reduce water loss during transportation and will lead to the decrease of human health risks and environmental pollution from the discharge of raw sewage. Refurbishment of the selected public buildings - mostly premises of children's institutions - will include thermal insulation of these buildings leading to the decreased use of electricity and firewood during operation.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts. Analysis of alternatives will occur at the subproject level and will affect selection of infrastructure for rehabilitation, as well as the choice of technological solutions to be applied to individual wastewater treatment plants. This procedure is already being applied in the process of preparing the first set of investment subprojects. The Project incorporates strong community consultation and citizen engagement mechanisms that allow local residents to voice any requests, feedback, and/or concerns before and during the sub-project implementation which maximizes the chance that more environmentally and socially acceptable alternatives will be considered.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

An Environmental and Social Management Framework (ESMF) was prepared and is being used for the purposes of the ongoing SRMIDP. It guides the preparation of subproject-specific Environmental and Social Impact Assessment (ESIA) reports, including Environmental and Social Management Plans (ESMPs), and self-standing ESMPs for lower risk investments. A Resettlement Policy Framework (RPF), currently applied to the ongoing SRMIDP, provides an outline for the preparation of Resettlement Action Plans (RAPs), which might be required during subproject identification and preparation. Site-specific safeguard documents are being developed, reviewed by the Bank, disclosed, and discussed with all relevant stakeholders as the detailed designs of individual subprojects arrive on the rolling basis.

For the proposed AF, MDF has updated the ESMF and the RPF to document that they apply to all activities to be financed by the Project, including those to be supported with the AF. The updated documents were redisclosed on April 3, 2020.

The MDF is an implementing agency for the Project. The MDF has a long history of implementing World Bank-supported projects. Institutional arrangements within the MDF include an Environmental and Social Unit and a Health and Safety Unit has also been created recently. These units are well-staffed with professionals of adequate background and skills. Environmental and social specialists of the MDF will continue receiving periodic training from the World Bank's safeguard specialists, and will to be coached, as required. If need be, the MDF will also have an opportunity to supplement its in-house safeguards team with hired consultants.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The Ministry of Regional Development and Infrastructure of Georgia, the MDF, LSGs, and population of beneficiary



communities are the key stakeholders of the Project.

The updated ESMF and RPF were redisclosed by MDF on April 3, 2020 and submitted for disclosure through the external web page of the World Bank on April 6, 2020. Site-specific ESMP and RAPs, if applicable, will be prepared for each subproject based on environmental and social screening conducted by MDF staff. All site-specific ESMPs and RAPs, if applicable, will be reviewed and approved by the Bank, as well as consulted with subproject-affected communities prior to tendering works under any individual investment. Local stakeholders will be provided with relevant information on environmental and social aspects of the Project interventions through proper communication channels (MDF website, local municipal offices, local media, etc.). Site-specific ESMPs (and RAPs) will be disclosed both before and after consultations. Post-consultation instruments will include a record of consultation minutes.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank 03-Apr-2020	Date of submission for disclosure 03-Apr-2020	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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"In country" Disclosure

Georgia
03-Apr-2020

Comments

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank 03-Apr-2020	Date of submission for disclosure 03-Apr-2020
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"In country" Disclosure

Georgia
03-Apr-2020

Comments

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:



C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

Is physical displacement/relocation expected?

No

Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods)

TBD

OP 7.50 - Projects on International Waterways

Have the other riparians been notified of the project?

NA

If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?

Yes

Has the RVP approved such an exception?

Yes



The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT

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APPROVAL

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